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SUBJECT: MEGA CORPORATION COULD HELP AND HURT NIGERIA AT THE SAME TIME

Classified By: BRIAN BROWNE FOR REASONS 1.4 (B) AND (D)

1. (C) Summary. On March 1, a cadre of Nigeria ,s business elite presented plans to the Government of Nigeria (GON) to establish the Transnational Corporation of Nigeria (TCN). Deemed a mega-corporation, TCN's initial capital would consist of naira 4.2 billion (USD 31.5 million) including naira 100 million each (more than USD 750,000) in contributions from 42 private investors, many of whom have connections at the highest level of government.

TCN is further testimony of active government involvement in business and of a close beneficial nexus between the GON and the pro-Obasanjo business elite, contradicting GON ,s claims that Nigeria is a free market economy with an even playing field. End summary.

2. (U) On March 1, a cadre of Nigeria ,s business elite presented plans to the Government of Nigeria (GON) to establish the Transnational Corporation of Nigeria (TCN). Deemed a mega-corporation, TCN's initial capital would consist of naira 4.2 billion (USD31.5 million) including naira 100 million each (more than USD750,000) in contributions from 42 private investors, notably Aliko Dangote, CEO, Dangote Group; Dr. Ndi Okereke-Onyiuke (Onyiuke), Director General, Nigerian Stock Exchange (NSE); Jim Ovia, CEO, Zenith Bank; Jacobs Moyo Ajekigbe, CEO, First Bank; and Femi Otedola, CEO, Zenon Petroleum and Gas. The TCN expects to raise its initial capital to naira 14 billion (over USD100 million) after an April or May 2005 listing on the NSE, and contemplates an eventual capital base of USD500 million.

3. (U) This projected USD500 million capital base would give TCN a larger financial capacity than any other Nigerian private company. It would help its Nigerian business moguls and the GON to collectively meet investment goals that were previously out of their reach even to them as wealthy individuals. TCN investors could then take on large projects such as refineries, gas pipelines, and vertically-integrated agricultural processing with an eye to exports. For the GON, TCN's success would be a point of nationalistic pride. It also might attract foreign direct investors who now reason that if Nigerians are not investing in their own country, why should they?

4. (U) In the light of the GON's economic aspirations, the TCN has the potential to help increase revenue, trade, and employment. Furthermore, the mega corporation could become a prime customer of the large banks that will result from the Central Bank's directive that banks in Nigeria must have a minimum capital base of naira 25 billion (over USD185 million) by December 31, 2005.

5. (C) There is an apparent downside, however. TCN signifies a stronger partnership between GON and Nigeria ,s business elite contrary to the free market model Nigeria claims it supports. The modus operandi of the corporation has yet to be seen though the cozy relationship between many of its investors and the GON will lead to questions about insider trading, corruption, and transparency. Most of TCN ,s investors move in the highest political circles, including that of President Obasanjo. (Aliko Dangote reportedly was the highest contributor to Obasanjo's 2003 presidential campaign.) Already, TCN seems to have been given an unfair advantage: its director and &team leader 8, Onyiuke, wielding her power as NSE director general, is trying to get TCN listed on the NSE as early as April 2005. Usually, NSE and Nigerian Securities Exchange Commission (SEC) regulations require companies be operational for three years before being listed. Media reports also indicate that TCN expects GON &concessions 8 to buy a GON oil refinery and other public enterprises in line with TCN's objectives. The TCN has plans and expects favorable treatment in its efforts to build

a new refinery and petrochemical plant, to operate an independent power plant, and to gain tax breaks through pioneer status for investing in agriculture. (Comment. The speed at which the TCN will be listed on the NSE should indicate whether regulatory institutions in Nigeria like SEC have the wherewithal to maintain a fair playing field for firms listed on the exchange. End comment.)

16. (SBU) The announcement publicizing the TCN was contemporaneous to a statement by the Manufacturer ,s Association of Nigeria (MAN) indicating that 90 percent of Nigeria ,s manufacturing firms are distressed. MAN's Director General Jide Mike said he welcomes the TNC because it will contribute to economic growth and generally be a point of pride for Nigerians, but will not compete directly with Nigeria's actual manufacturers.

17. (SBU) Mansur Ahmed, the Executive Director of the Nigerian Economic Summit Group, is less sanguine.

He speculates that TCN's consolidation may worsen Nigeria's unequal distribution of wealth, as TNC ,s wealthy investors become even wealthier and crowd out smaller investors and firms in the sectors which TCN wants to invest.

18. (SBU) Comment: If it takes off, the TCN is apt to become the bellwether of Nigerian firms. It's potential for dominance reflect the strong interplay between economics and politics on a field that is less than level. End comment.

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